

EFFECT OF FUEL SUBSIDY REMOVAL ON PEASANT FARMERS IN ADAMAWA STATE, NIGERIA: A CASE STUDY OF ADAMAWA STATE AGRICULTURAL DEVELOPMENT AUTHORITY MUBI IN ADAMAWA NORTH SENATORIAL DISTRICTS

Nayu Luwahya¹, Lori O. Innocent², Ahmed Basiru³, and Ngozi Obilom Obilom⁴
^{1,2&3}Adamawa State University, Mubi, Faculty of Administration and Management Sciences,
Department of Public Administration

⁴Federal Polytechnic Mubi, Adamawa State-Nigeria

[¹nayuluwahya@gmail.com](mailto:nayuluwahya@gmail.com), [²loriinnocent7@gmail.com](mailto:loriinnocent7@gmail.com), [³bashreal954@gmail.com](mailto:bashreal954@gmail.com),
[⁴ngoziobilom@gmail.com](mailto:ngoziobilom@gmail.com)

ABSTRACT

This study examines the Effect of Fuel Subsidy Removal on Peasant Farmers in Adamawa. An explanatory research design was used and the sample population was drawn using the convenient sampling technique from Adamawa State Agricultural Development Authority Mubi in Adamawa North Senatorial Districts, Adamawa State. The result from both the primary and secondary sources showed that: fuel importation stresses the local currency as its affect peasantry farmers, subsidy mainly favoured the cabals and drift for investment in our contemporary society, subsidy removal will contributes to the development of a nation's economy if properly utilize, subsidy removal affects the peasantry farmers adversely as a result of high cost of farm implements, and as such, affect the standard of living of peasantry farmers. The study recommends that government should identify areas of wastages in governance such as the allocation of largesse and booties in the name of allowance, the government should also try and adjust and reprioritize the proposed spending in the budget to fund fuel subsidy, and in a way that addresses social needs and improve the wellbeing of all citizens, palliatives should have been put in place before removing subsidy on fuel in other to help cushion the adverse effect of the subsidy removal, the government should try and implement proper minimum wage to curtail difficult situations, the various law enforcement agencies such as the ICPC and EFCC should be fully empowered and well-funded to perform effectively, the federal government of Nigeria should address and adequately develop the various sectors of the economy which will go a long way in providing employment opportunity and raise the standard of living of the people and Our refinery should be put in order and functional.

KEYWORD: Fuel Subsidy Removal, Peasant farmers, Subsidy

Introduction

Petroleum is the mainstay of the Nigerian economy. It plays a very vital role in shaping and modifying the economic, political and social destiny of the country. The oil sector, as the prime mover of the economy became apparent in the 1970s due to the dramatic increase in oil process and the rise in the nation's proven oil reserves and production (Kingsley, 2023).

Subsidy is a direct or indirect payment made by the government to businesses or individuals. Direct subsidy involves cash payments from the government to the recipient. With indirect

subsidies, on the other hand, industries or households enjoy certain economic benefits from government policies such as tax breaks. Fuel subsidy is a government discount on the market price of fossil fuel to make consumers pay less than the prevailing market price of fuel. When subsidies are in place, consumers would pay below the market price per litre of the petroleum product. Globally, there are debates about fuel subsidy because of its huge amount and its effect on citizens' welfare and the fiscal health of a nation (Attah, 2022).

Nigeria as an oil producing country is said to be one of the largest oil producer in Africa; also holds the 6th position among OPEC member. The impact of crude oil on Nigerian economy and in particular on peasantry farmers of Adamawa State Agricultural Development Authority Mubi has been double-edged. It has benefited the country in some ways, and has in many other ways turned out to be a curse. For instance, the oil industry has risen to the commanding height of the Nigerian economy, contributing the lion share to Gross Domestic Product and accounting for the bulk of Federal Government revenue and foreign exchange earnings since early 1970s.

Attempt to remove petroleum subsidy by past administration activated protest and strong resistance. After swearing in on May 29, 2023, the president Ahmed Bola Tinibu;s administration removed fuel subsidy in Nigeria. Nigeria's refineries are non-functional thereby involve the ceaseless importation of refined petroleum. Fuel importation stress the local currency while the subsidy mainly favoured the cabals and a drift for investment and the illegal transportation of petrol to neighbouring countries. Subsidy has today brought about significant percentage of Adamawa State ill state of poverty. Peasant farmers are dying and the hunger is simply unbearable which we need to tell ourselves the fact; there is hunger in the land. Our people go to bed with empty stomachs (Eyiuche, 2023).

The removal of fuel subsidy is very important as it contribute to the development of the nation economy, where much emphasis are placed on development of infrastructure, schools, health institution but this is seen to the detriment of the peasant farmers. The peasant farmers suffer from the high cost of fuel which leads to the high cost of farm tools, fertilizer, transportation, insecticide, herbicide, weeding etc. The dry season farmers that is irrigation farmers, also find it difficult to wet the land as a result of increase in fuel which use in their generator. The peasant farmers also face difficulties in transporting their produce due to high price of fuel. They also face difficulties in the high cost of fertilizer couple with insecurity issues in Adamawa North Senatorial District where security authorities arresting farmers when going to the farm with fertilizer as they suspect the farmers of carrying Urea fertilizer used in making bomb. The cost of labour became high as every labourer need reasonable amount of money as a result of high standard of living due to the removal of fuel subsidy. Peasant farmers who engaged in the rearing of animals gets it difficult because getting the vaccine to treat their animals due to increase in the price of vaccine to take care of their animals. The aids from charity donor normally don't meet the needed target before, which ended in the hands of commercial farmers as the condition is critical (Adekoya, 2023).

The removal of fuel subsidy lead peasant farmers to be poor and the senseless once may involve in committing suicide because they cannot solve their problem with what they earn as a result of poor harvest. Others may involve in criminal activities such as stealing other people's farm produce since they do not have enough to feed their family. Some of the youth who are good in spending money recklessly, may go about to steal in farm. Research on the effect of fuel subsidy

removal on the Nigerian's economy and in particular on peasantry farmers in Adamawa State has been on interest to the economy and Nigerians. This research examine the effect of fuel subsidy removal on peasant farmers in Adamawa State, Nigeria: A case study of Adamawa State Agricultural Development Authority, Mubi Adamawa North Senatorial District.

Statement of the Problem

The controversy generated among Nigerians and particularly, in Adamawa State Agricultural Development Authority Mubi, in Adamawa North Senatorial District, as a result of the declaration by the Federal government on the removal of fuel subsidy suggests that there is a puzzle to be solved in the Nigerian fuel subsidy issue. Consequently, certain questions need to be asked on this phenomenon, what is the rationale behind its removal? To what extent does the removal of this subsidy improve the fiscal policy of the government? Does the removal of fuel subsidy have any effect on the economic condition of the country as well as on peasantry farmers? What are the gain and the pains of its removal on the economy of Nigeria and on Nigerians? and particularly, in Adamawa State Agricultural Development Authority Mubi, in Adamawa North Senatorial District.

Ordinarily, the removal of subsidy on energy sources such as petrol, kerosene, diesel and electricity would fetch up billion of naira for government to turn into other social and economic needs such as infrastructural development, give incentive for domestic refineries to produce more petroleum products, reduce the country over dependence on imported fuel, boost the economy and create jobs. Some of these are not visible in the Adamawa citizen in particular. Nevertheless, subsidy removal could save Nigeria around 7 million naira annually which could be channel to infrastructure, education and health through which peasant farmers could enjoy. For instance, Ghana removed fuel subsidies in 2023, causing petrol, kerosene, diesel prices to increase by 15% to 50%. They invested the savings into critical sectors.

However, the negative implications are that fuel subsidy removal as is seen in our present Adamawa State, include decrease economic growth in the short run, increases inflation, increases poverty among peasant farmers, increases fuel smuggling, increases crime among youth, increases the prices of petroleum products and loss of jobs in the informal sector, increase in the cost of production, lack of adequate palliative, increase in the cost of providing services, increase in house rent (cost of living), increase in transportation cost, fall in the standard of living, increase in the price of goods and services, increase in corruption as well as increase in the cost of education. This is why the researcher is motivated to assess the effect of subsidy removal on peasant farmers in Adamawa State and in particular, Adamawa Agricultural Development Authority Mubi which consist of Mubi North, Mubi South, Maiha, Michika and Madagali Local Government Areas of Adamawa State.

Methodology

The explanatory research design is used for this study. This is most appropriate because it enables the researcher to seek opinion from the sample population upon which conclusion and generalization are made as regard to the effect of fuel subsidy removal on peasant farmers. This design is a convenient way of obtaining information about a giving population by gathering data with the use of mainly interview and questionnaires on the sample drawn from the entire

population under study. The convenient research design is an economical way of conducting research covering a large geographical area of study.

The population for this study is 150 obtained from the study area which consist of Mubi North, Mubi South, Maiha, Michika and Madagali Local Government Areas of Adamawa State. The population consists of the peasant farmers in the local government areas. A total of 30 samples were drawn from each of the 5 local government areas using the convenient sampling technique. The researcher made use of both primary and secondary sources of data collection. Questionnaire was used as the primary source to get information as regard the effect of fuel subsidy removal on peasant farmers in Adamawa State. Content analysis was used to analyze the data collected from both primary and secondary sources.

Literature Discussion

Subsidy is seen as a direct or indirect payment made by the government to businesses and individuals. Direct subsidy involves cash payments from the government to the recipient. Indirect subsidies, on the other hand, industries or households enjoy certain economic benefits from government policies such as tax breaks. Fuel subsidy is a government discount on the market price of fossil fuel to make consumers pay less than the prevailing market price of fuel (Ovaga & Okechukwu, 2022). When subsidies are in place, consumers would pay below the market price per litre of the petroleum product. Globally, there are debates about fuel subsidy because of its huge amount and its effect on citizens' welfare and the fiscal health of a nation (Peterson, 2023)

A subsidy or government incentive is a type of government expenditure for individuals and households, as well as businesses with the aim of stabilizing the economy. It ensures that individuals and households are viable by having access to essential goods and services while giving businesses the opportunity to stay afloat and/or competitive. Subsidies not only promote long term economic stability but also help governments to respond to economic shocks during a recession or in response to unforeseen shocks, such as the COVID-19 pandemic (Kingsley, 2023) Subsidy is an aids directly granted by government to an individual or private commercial enterprise deemed beneficial to the public. Subsidies take various forms— such as direct government expenditures, tax incentives, soft loans, price support, and government provision of goods and services (Ogundipe, 2013). For instance, the government may distribute direct payment subsidies to individuals and households during an economic downturn in order to help its citizens pay their bills and to stimulate economic activity. Here, subsidies act as an effective financial aid issued when the economy experiences economic hardship (Ogundipe, 2013). They can also be a good policy tool to revise market imperfections when rational and competitive firms fail to produce an optimal market outcome. For example, in an imperfect market condition, governments can inject subsidies to encourage firms to invest in R&D (research and development). This will not only benefit the firms but also produce some positive externalities such that it benefits the industry in which the firms belong, and most importantly, the society at large (Peterson and Kingsley, 2023). Although commonly extended from the government, the term subsidy can relate to any type of support – for example from NGOs or as implicit subsidies. Subsidies come in various forms including: direct (cash grants, interest-free loans) and indirect (tax breaks, insurance, low-interest loans, accelerated depreciation, rent rebates) (Adenikinju, 2006). Furthermore, they can be broad

or narrow, legal or illegal, ethical or unethical. The most common forms of subsidies are those to the producer or the consumer. Producer/production subsidies ensure producers are better off by either supplying market price support, direct support, or payments to factors of production. Consumer/consumption subsidies commonly reduce the price of goods and services to the consumer.

All countries use subsidies via national and sub-national entities through different forms such as tax incentives and direct grants. Likewise, subsidies have an economic influence on both a domestic and international level. On a domestic level, subsidies affect the allocation decision of domestic resources, income distribution, and expenditure productivity. On an international level, subsidies may increase or decrease international interaction and integration through trade (Odewale, 2023). For this reason, having a thorough subsidy policy is essential as its inadequacy can potentially lead to financial hardship and problems for not only the poor or low income individuals but the aggregate economy as a whole (Odewale, 2023).

Background of Fuel Subsidy Removal in Nigeria

The removal of subsidies is refers to the government's decision to eliminate or reduce the subsidies provided on certain goods or services, particularly petroleum products in Nigeria .This policy has been a subject of debate and controversy in Nigeria for many years. Historically, the Nigerian government has subsidized the prices of petroleum products to make them more affordable for the populace. This was done because the country is the seventh largest crude producer in the world and has significant oil reserves, but also because it aimed to mitigate the impact of price fluctuations on the cost of living for Nigerians.

However, one of the main issues is that it has become a huge burden on the nation's economy. The cost of subsidizing petroleum products has been a major drain on government finances, leading to significant fiscal deficits and a strain on the country's budget. Apparently, the subsidy regime has been plagued by corruption and inefficiency, with a substantial portion of the funds intended for subsidy payments being diverted or mismanaged by previous administration.

Over the years, there have been calls for subsidy removal as a means to address these challenges. Proponents argue that removing subsidies would allow the government to redirect the funds saved towards critical infrastructure development, education, healthcare, and other social programmes. They argue that it would also promote more efficient use of resources and encourage private sector investment in the oil sector.

Opponents of subsidy removal, however, raise concerns about the potential negative impact on the population, particularly the poor and vulnerable segments of society. They argue that removing subsidies would lead to a significant increase in the prices of petroleum products, which would have a cascading effect on the cost of transportation, food, and other essential goods and services. This, in turn, could exacerbate poverty and inequality in the country.

The Nigerian government has made attempts to remove or reduce subsidies in the past, but these efforts have often been met with public outcry and protests. The issue remains highly contentious, and any decision regarding subsidy removal is likely to be met with both support and opposition.

The historical antecedent of subsidy removal on petrol in Nigeria is marked by a series of policy shifts, attempts, and controversies. The Nigerian government has implemented and reversed subsidy removal multiple times over the years.

Subsidy removal in Nigeria was first introduced in the year 1988. The government introduced a subsidy on petroleum products to stabilize fuel prices and make them affordable for the general population. This was in response to protests against price increases.

In 1999 the then President Olusegun Obasanjo attempted to deregulate the downstream sector of the oil industry, which included removing fuel subsidies. However, due to public resistance and protests, the plan was abandoned.

The story was not different as the President Goodluck Jonathan administration in January 2012, announced a partial removal of fuel subsidies, leading to a sharp increase in fuel prices. This move sparked widespread protests across the country, known as the "Occupy Nigeria" protests. Eventually, the government bowed to pressure and rescinded its decision.

In May 2016, the President Muhammadu Buhari administration announced the complete removal of fuel subsidy. This led to a significant increase in fuel prices, which resulted in nationwide protests. The government argued that removing the subsidy was necessary to address corruption, inefficiency, and the drain on public finances. However, due to the public backlash, the decision was reversed, and subsidies were partially reinstated.

The issue of subsidy removal has remained a topic of debate and discussion in Nigeria. While no full removal has taken place since 2016, there have been discussions and considerations by successive governments regarding subsidy reforms and finding alternatives to address the fiscal challenges associated with the subsidy regime.

Consequently, the newly sworn in administration in Nigeria under the leadership of President Bola Ahmad Tinubu will squarely address the issue as he rightly said at Eagle Square while delivering his inaugural speech that said, "Subsidy is gone. Subsidy can no longer justify its ever increasing cost in wake of dying resource".

Only history can juxtapose between the latter and the former as Nigeria Labour Congress and affiliated unions had warmed up to begin industrial actions, but later shielded their sword and after series of dialogue between government and the unions.

It's important to note that the subsidy removal on petrol in Nigeria has been a highly controversial and politically sensitive topic. The debate surrounding it is multifaceted, involving economic considerations, social implications, and political factors. The decision to remove or retain subsidies on petrol in Nigeria has often been influenced by a range of factors, including public sentiment, international oil prices, government finances, and the overall stability of the country.

Profile of Peasantry Farmers in Nigeria

Peasant are pre-industrial agricultural laborer or a farmer with limited land-ownership, especially one living in the Middle Ages under feudalism and paying rent, tax, fees, or services to a landlord. Peasants might hold title to land outright (fee simple), or by any of several forms of land tenure. In some contexts, "peasant" has a pejorative meaning, even when referring to farm laborers (Attah, 2012). As early as in 13th-century, the concept of "peasant" could imply "rustic" as well as "robber", as the English term villain. In 21st-century English, the word "peasant" can mean "an ignorant, rude, or unsophisticated person". The word rose to renewed popularity in the

1940s–1960s as a collective term, often referring to rural populations of developing countries in general, as the "semantic successor to 'native', incorporating all its condescending and racial overtones". The word peasantry is commonly used in a non-pejorative sense as a collective noun for the rural population in the poor and developing countries of the world.(Ogundipe, 2013) Via Campesina, an organization claiming to represent the rights of about 200 million farm-workers around the world, self-defines as an "International Peasant's Movement" as of 2019. The United Nations and its Human Rights Council prominently uses the term "peasant" in a non-pejorative sense, as in the UN Declaration on the Rights of Peasants and Other People Working in Rural Areas adopted in 2018. In general English-language literature, the use of the word "peasant" has steadily declined since about 1970 (Attah, 2012)

The Nigerian Economy and Fuel Subsidy

Conversely, the structure of the Nigeria's economy has been maltreated with the advent of oil. Despite oil boom, the private sector remained weak. The existing macroeconomic policies continued to encourage consumption rather production. The legacy of oil has imposed significant costs on the Nigeria's economy such as price distortions, volatility, corruption and inefficiencies (Adenikinju, 2006). A major features of the sector is dominance of the government in pricing, supply and investment. Nigeria, despite of its vast oil endowments, continues to experience irregular domestic oil supply shortages. These oil shortages manifest in regular queues at fuel stations that are often empty and in thriving parallel markets that sprout all over the country. The shortages have resulted in huge economic and non-economic cost to the country (Adenikinju, 2006).

However, before the discovery of crude oil in Nigeria, agriculture plays a dominant role in Nigeria's economy in terms of contribution to the GDP and foreign exchange earnings (Attah, 2012). It employ the services of over 75% of her labour force and constituted the major source of foreign exchange earnings, besides ensuring self-sufficient in internal food supply and vital agricultural raw materials for the growing industries (CBN, 2003).

Recently, there has been a continues decrease in the contribution of agriculture to the country's GDP. The neglect suffered by peasant farmers in the agricultural sector as a result of its displacement by crude oil as a major revenue earner for the country resulted in the removal of subsidy by the government, gradual decline of crops and livestock production to the point where Nigeria, a hitherto net exporter of agricultural commodities, had to import these products to meet her domestic needs. The indication of problems in agriculture were clearly evident from increasing food supply shortfalls, the rising cost of food processing and delivery, and low foreign exchange earnings from agricultural exports (CBN, 2003)

The Nigerian economy over the years has been programmed to revolve around the supply of cheap petroleum products. An average household in Nigeria depends on subsidized by- products of crude oil such as kerosene for domestic and commercial use. This dependence is not helped either as public electricity supply from Power Holding Company of Nigeria (PHCN) is epileptic. Almost every home and business is powered by generator through subsidized petrol. The few small scale business such as hotels, barbers, welders, farmers, hair dressers, pepper sellers, private and government hospitals among others rely on subsidized fuel. Gasoline, Premium Motor Spirit (PMS) or fuel as it is normally called in Nigeria is the second most used product after food in

Nigeria. Whenever the price of fuel goes up, other sectors of the economy are affected. This is because transport cost for providing essential services goes up and creates multiplier effect in the economy, the ripples are felt even up to the rural areas. The movement of agricultural product from one place to another depends on the transport sub-sector; causing a rise in the prices of product and services in the society, especially in the market. Key component of basic needs indicators such as food, housing, clothing and health will be affected, as access to them becomes costly. Nigeria having an average of 53.2 years as life expectancy and world ranking life expectancy may be reduced due to high cost of health services, transportation and even food requirement of the people.

Agriculture in Nigeria has been the most important sector of the economy from history and the standpoint of rural employment, food production and fibre, and export earning prior to the discovery of oil (Attah, 2012). A major effect of the subsidy removal is the increased transportation cost due to high fuel prices, directly impacting agricultural production. Agricultural inputs and production require energy to be transported to farmers and to power the machinery for food production. Agricultural development in Nigeria is based on peasant farmers and less land. Since the 1960s, the population has been growing rapidly, and food security has become an urgent issue for the Nigerian Government. The Adamawa State Agricultural Development Authority (ADADA) is the main agency which implements the state's Agricultural Development Programmes. It is one of the World Bank Assisted projects that formed part of the phase II Multi-State Agricultural Development Programmes (MSADP II) whose loans terminated on 30th June, 1995. It started in the then Gongola State, as Gongola State, Agricultural Development Programme (GADP). The poor funding of ADP by state governments constrained recruitment of extension agents in most states of the country. For instance, in Adamawa State where parallel extension delivery agencies are established like Adamawa Agricultural Development Investment Limited (AADIL) and Farming Skills Acquisition Centre (FSAC), ADP staff were redeployed to serve as resource persons. Federal, State and Local Government play varying roles in the delivery and funding extension services. The Federal Government provides coordination, policy direction through the Federal Ministry of Agriculture and Natural Resources, which is carried out by Federal Agricultural Coordinating Unit (FACU) (Hussaini & Abdullahi, 2018). The Agricultural Development Programme (ADP) is the state institutions with the mandate to carry out extension services to promote agricultural production and improve rural living conditions. The ADPs are the extension arm of the State Ministry of Agriculture and Rural Development (World Bank, 2004). Although they were developed to perform a temporary role, in improving investments and services in lieu of relatively ineffective line agencies, the ADPs have nonetheless assumed a permanent status which supports the contention that this type of agency was needed to implement the development envisaged under the project. But the structure organization of the ADPs has not been corrected to reflect its new role as a permanent development agency, except in few states. Part of the problem of its temporary status is that majority of the staff, with the exception of those seconded from Ministry of Agriculture, were on temporary appointment. This weakens moral of the extension agents, especially after the World Bank withdrawal (Peterson, 2023). In a situation of man-land relationship, long-term tensions, the food gap can hardly be filled by only inputting land and labour force. Therefore, the Nigerian Government attached great importance to fertilizers technology and push fertilizer production, thereby promoting fertilizer use (Huang, 2016)

However, the Nigerian economy is characterized by dependence on foreign technology, mono-cultural dependence on crude oil, inadequate supply of skilled labour, low productivity and low per capital income, under developed agriculture, high rate of unemployment, high rate of inflation, heavy external debt burden, poor attitude to work particularly in public service and system corruption etc

Nigeria's Refinery

There are four major oil refinery Nigeria. Two are found in Port Harcourt and one each in Warri and Kaduna. Oil reserves are mainly found in the Niger Delta region. Most of these oil reserves are under the control of foreign corporations. The four refineries, which are in dilapidated condition, have not been operating for some years now and have a combined capacity to process around 4.45 million barrels per day (Eyiuche, 2012).

its oil refineries by the end of 2024, the country's newly appointed minister of state for petroleum, Heineken Lokpobiri told Reuters, as the southern Port Harcourt plant prepares to begin operations by the end of this year. The government announced last year, that the Port Harcourt refinery will begin processing crude oil by the end of the 2022, but it was postponed after several unsuccessful attempts at restart and revamp. Lokpobiri, who was appointed on 21 August, had inspected the ongoing rehabilitation refurbishment at the two-unit 210,000 Port Harcourt refinery, last week. The four refineries, which are in dilapidated condition, include the Kaduna plant in the north and three units in the Niger delta including the 125,000 barrels Warri refinery. They have not been operating for some years now and have a combined capacity to process around 4.45 million barrels per day. The refinery at Port Harcourt, is undergoing a \$1.5bn upgrade after Tecnimont from Italy secured the contract for revamp in 2021. This upgrade is expected to take up to 44 months. Lokpobiri said: "From what we have seen here today, Port Harcourt refinery will come on board by the end of the year."

Furthermore, he noted that two other facilities located in Warri and Kaduna are slated to commence crude processing sometime between the first quarter and the culmination of 2024. He emphasized that the aim is to reduce and eventually stop the country's dependency on fuel imports. The ambition is supported by the fact that Nigeria is one of the oil-producing nations in the continent and is currently importing most of its refined fuel because of limited production capacity.

Factors that Contributes to Fuel Subsidy Removal

The federal government contended that it had spent billions on fuel subsidy, depriving other sectors of the economy such as education, employment, and infrastructure. Nigeria fuel subsidy continues to crowd out other development spending. By comparison, Nigerian's total allocation for education is about \$2.2 billion and it is not much higher for health care (Elekwa, 2004). Infant mortality in Nigeria remains unacceptably high at 90.4 per 1000 live births. In 2004, it was estimated that only 15% of the country's road were paved. The billions from the fuel subsidy could help to address some of these issues. Corroborating the view of the senate, the National Economic Council (NEC), the highest economic policy organ of the Nigerian government, in its analysis state that it costs the country's treasury one trillion naira yearly to subsidize petroleum products in Nigeria. NEC stated therefore that it would be better if the huge sum of money spent on subsidy is used in smoothing potholes roads, providing hospitals, rehabilitant and building health facilities and schools or supplying portable drinking water and other basic amenities and

infrastructures (Ajumogobia, 2008). The initial budget for the PSF was #150 billion. This has since grown to over #1.5 trillion in 2007; clearly, subsidizing prices over the years has not only led to unacceptable high fiscal burden on government, imposes high economic cost, but also bred several unintended consequences and practiced including: smuggling of petroleum products out of the country, generating rents that must likely accrue to upper income groups. Petroleum subsidies largely benefited the consumption of upper income groups. Substantial evidence indicated that the poor and the near poor consume only a small fraction of these product. In debating the merits of Nigerians fuel subsidy, it is impotent to understand who benefits, the most form the programme (Ajumogobia, 2008). Contrary to popular belief, it is the rich and the cabals not the poor, who disproportionably benefits from Nigerian's fuel subsidy. With the government subsidizing the market to keep domestic fuel prices artificially low, it is those who consume the most that have a greater benefit from the subsidy. Nigerians poor rely primarily on public transportation as such their per capital fuel consumption is significantly less than the country's rich who generally use private vehicle. Some Nigerians wanted the government to checkmate the oil cabal but the government saw removal of fuel subsidy as the easiest and most effective means to address the issue (Elekwa, 2004)

Effect of Fuel Subsidy Removal on Peasant Farmers in Adamawa State

On May 29, 2023, Nigerian President Bola Tinubu announced, in his inaugural speech, the removal of the decade-long subsidy on petroleum products. The new president cited deficit budgetary concerns as the basis of his decision and echoed his desire to channel the funds towards public infrastructure and improving the lives of the Nigerian people.

However, his declaration of fuel subsidy removal has evoked a debilitating effect on citizens through the steep rise in inflation nationwide. The sudden and complete fuel subsidy removal further perpetuates poverty and food insecurity in Nigeria. The Nigerian government must establish adequate corrective measures to mitigate the effects of fuel subsidy removal. These corrective measures must include increasing agricultural investment and transportation subsidies to minimize the impact on food security. In addition, establishing safety nets like subsidized education and healthcare services for low-income citizens is necessary to bridge the widening income inequality in the country (Otaibe, 2012).

A major effect of the subsidy removal is the increased transportation costs due to the high fuel prices, directly impacting agricultural production. Agricultural inputs and production require energy to be transported to farmers and to power the machinery for food production. As such, the high transportation costs have heightened food insecurity in the country as consumers struggle to purchase daily meals at increased prices. The Nigerian government must invest more in the agricultural sector to ensure food security (Prasad, 2006). A Food and Agriculture Organization report indicates that the Nigerian government allocates less than 10 percent of its national budget to the agricultural sector. The meagre budget allocation is inadequate to counteract the effects of the fuel subsidy removal on agricultural productivity. Therefore, given the current subsidy removal, Nigeria must aim to increase budgetary allocation to the agricultural sector. The investment should go into improving agricultural infrastructures and subsidizing inputs like seedlings and fertilizers. Such agricultural subsidies can reduce the burden on farmers and help

keep the cost of production affordable. In this way, Nigeria can minimize the effects of the fuel subsidy removal on agricultural productivity (Adekoya 2023).

Furthermore, removing fuel subsidies has widened the country's already-existing income inequality. Although the fuel subsidy was said to have increasingly favoured the rich more than the poor, its complete removal disproportionately affects low-income citizens. The low-income citizens face greater financial strain to meet their basic food needs. They are ultimately forced to allocate less income proportion to other essential expenses like education and healthcare. Education and health form the mainstay of societal development, and less focus on them impairs the country's socioeconomic status. The Government must prioritise safety nets and targeted interventions to protect the vulnerable population from the impact of subsidy removal. Such interventions include subsidized basic education, affordable healthcare, and school feeding intervention programs. Intervention measures like skill development programs and cash transfer schemes can also be implemented, particularly in rural areas. The Government must also aim to mitigate the impact by implementing targeted subsidies for public transportation and providing tax incentives for the transportation sector (Otaigbe, 2012).

In the absence of adequate counteractive measures, the fuel subsidy removal infringes on the fundamental rights of citizens. Citizens have the right to the highest attainable standard of health through nutrition and their rights to social security through affordable transportation costs. Therefore, if the subsidy reform must become effective, the Nigerian government must protect the rights of citizens through agricultural investments, safety nets, and transport subsidies for its citizens (Ugo, 2011)

PROSPECT AND CHALLENGES OF SUBSIDY REMOVAL IN ADAMAWA STATE

Prospects of Subsidy Removal

(i). Investment into the downstream Sector – Subsidy distorts market and frustrate investments. Deregulation of the downstream sector will open up the market thereby attracting more investors/players into the sector. Mostly due to government no longer controlling petroleum prices and businesses now been able to maximize profit from their operations (Adekoya 2023)

(ii). Improved funding for Public Infrastructure – Nigeria spent 40% of its 2022 budget on fuel subsidy. With the removal of subsidy such funds can be channeled towards the construction/building of critical public infrastructure such as roads, hospitals, schools, dams etc which will help improve trade, ease of doing business, reduce cost push inflation associated with transportation which would have positive effect on individuals, households and firms in the country (Nnadozie et al 2023).

(iii). Reduction in Budget deficit/ Government borrowing- Fuel subsidy is a major part of government spending/expenditure in Nigeria taking an average of 30-40% of yearly budget. Removing fuel subsidy will reduce subsequently reduce budget deficit and government borrowing to finance the subsidy expenditure thereby increasing funding for capital and other expenditures in the budget (Nnadozie, 2023).

(iv). Increase in funding for other sectors of the economy – The federal government of Nigeria spends N18.4 billion on subsidy daily (Nnadozie et al 2023). This would amount to N6.7 trillion spent on fuel subsidy annually which amounts to 40% of the 2022 budget. Removal of fuel subsidy frees up these funds which can then be channeled to funding other sectors such as agriculture, education, healthcare which would have great impact on Nigeria's macro-economic indices

(v). Increased taxation and government revenue in the long term - With the deregulation of the downstream sector and subsequent injection of capital investment into the sector, the amount of players or firms in the sector will increase which would lead to increased tax payment and revenue generation for the country which can be used for development and growth initiatives to grow the nation's economy (Nnadozie et al 2023).

(vi). Increased Employment in the long term- With the assumed injection of investment and subsequent influx of players into the sector. In the long term these firms will employ citizens from various works of life. This would lead to an increase in employment and unemployment levels will inadvertently drop (Raji 2018).

(vii). Appreciation of the Naira against the Dollar – The massive importation of fuel increases the demand for foreign exchange. One of the medium to long term impacts of fuel subsidy removal is the reduction of fuel purportedly consumed in Nigeria. As cheap subsidized fuel will no longer be available for smuggling etc. This reduced volume will translate to a reduction in demand for foreign exchange which will lead to a stronger naira, this will also reduce imported inflation and its pass-through effect, as the cost of importing petroleum products is a major contributor to inflation in Nigeria (Raji, 2018)

Challenges of Subsidy Removal

(i). Heightened Inflation and Reduced Purchasing Power in the short term –Fuel subsidy removal could lead to higher macro-economic instability through rising energy prices and inflation. Fuel subsidy removal will have an immediate impact on the cost of distribution of goods in the economy, which would bring about a cost – pull inflation and increased price levels of goods and also on services been rendered in the economy. This would have a direct effect on consumers (individuals and firms) as their purchasing power will be greatly reduced, for the household their capacity to consumer will be reduced while for the firm their ability to produce will be reduced which can lead to firms shutting down as their profit margins become eroded (Omotosho, 2020).

(ii). Increased Poverty levels – (Raji, 2018) posited that since the removal of subsidy leads to inflation in the country, it will increase poverty in the short term. A large proportion of the populace are fixed income earners with the increase in inflation, people's ability to consume or meet their basic needs will be greatly affected which would push a lot of households especially those that are low-income earner into poverty. According to (Ozili & Obiora 2023) more families may go hungry, more children will cry in hunger and more parents will cry at their children despair. In the absence of a social net or cover for household the impact in the short term could have grave consequences on families.

(iii). Decrease in Economic growth in the short term- As price levels increase due to removal of subsidy. Households' expenditure and firms' production would decrease, this would affect the revenue government receives from taxation which will have an immediate impact on gross domestic product of the country thereby leading to a slow down or decrease in economic growth of the nation (Houeland, 2022).

(iv). Job losses in the short term – The removal of fuel subsidy will lead to job loss in the informal sector that rely mostly on PMS or petrol. Due to inadequate electricity supply in the country, most large/medium size firms rely on diesel for power while the small, micro firms rely mostly on petrol

for their operations. With the removal of fuel subsidy most firms in the informal sector will not be able to afford the high cost of fuel or it would erode their profit margins even to the point where they have to lay off staff or shut down the business. Any of the two options will inadvertently lead to job losses in the economy in the short term or might create structural unemployment in the long term (Houeland, 2022).

(v). Stagflation in the short term – Stagflation is period where a country experience increasing high inflation rate and a slowdown in economic growth. Fuel subsidy as stated above can bring about both effects inflation and slow growth in the Nigerian economy thereby pushing it into a state of stagflation. Meaning the country will have to combat two major macroeconomic variables at the same time (Houeland, 2022).

Summary of Findings and Conclusion

In line with the research objective, research questions and hypothesis, as well as from the reports gathered from the respondents were thoroughly analyzed on their view on the subject matter as they opined in the questionnaires issued. The results analyzed revealed that Fuel importation stresses the local currency as its affect peasantry farmers, subsidy mainly favoured the cabals and drift for investment in our contemporary society, subsidy removal will contributes to the development of a nation's economy if properly utilize, subsidy removal affects the peasantry farmers adversely as a result of high cost of farm implements, subsidy removal affect the standard of living of peasantry farmers, fuel subsidy removal result to high rate of criminal activities due to high cost of living, fuel subsidy removal result to high cost of goods and services in our contemporary society

Also, the capacity level of the Nigeria's refineries cannot meet the nation domestic economy demand, removal of fuel subsidy result to high level of poverty in the short run as most populace are fixed income earners, peasant farmers suffer from the high cost of fuel which leads to the high cost of farm tools, fertilizer, transportation, insecticide, herbicide, weeding, fuel subsidy removal discourages smuggling of petroleum product along our borders as well as increase in Gross Domestic Product (GDP), increase transportation cost due to high fuel prices, directly affect agricultural production, removing fuel subsidy can help reduce the budget deficit by eliminating the need for government expenditures on subsidies and fuel subsidy removal should be accompanied by a well-thought-out strategy as mitigation measures for the vulnerable population and promotes sustainable economic growth

Recommendations

Based on the data obtained from both primary and secondary sources used in this study and its findings, the following are hereby recommended:

- i. Government should identify areas of wastages in governance such as the allocation of largesse and booties in the name of allowance.
- ii. The government should also try and adjust and reprioritize the proposed spending in the budget to fund fuel subsidy, and in a way that addresses social needs and improve the wellbeing of all citizens.
- iii. Palliatives should have been put in place before removing subsidy on fuel in other to help cushion the adverse effect of the subsidy removal

- iv. The government should try and implement proper minimum wage to curtail difficult situations
- v. Deregulation can also be attained in phases/stages that is the current increment can be spread over period of six years or more.
- vi. The various law enforcement agencies such as the Independent Corrupt Practices and other Related Offences Commission (ICPC) and Economic and Financial Crimes Commission (EFCC) should be fully empowered and well-funded to perform effectively.
- vii. The cabals that constitutes the beneficiaries of the fuel subsidy that held the country and its economy to ransom should be identified and be brought to book immediately.
- viii. The federal government of Nigeria should address and adequately develop other sectors of the economy such as the educational, agricultural, communication, transportation, tourism, health, provision of social amenities and infrastructure which will go a long way in providing employment opportunity and raise the standard of living of the people.
- ix. Our refinery should be put in order and functional

References

- Adekoya, O. (2023). *Fuel Subsidy: The True Story*. Retrieved 234 Next.Com.
- Adenikinju, C. (2006). *The Socio-Economic Implication of the Fuel Subsidy Removal*. Ibadan: Abok Publishers.
- Ajumogobia, I. (2008). *Deregulation of the Downstream oil Sector in Nigeria: History and fallacies*. Journal of Public Administration and Policy Research, Vol. 3. (ii), P. 128-139.
- Attah, M. (2012): *Implementing the Recommendations of the Fuel Subsidy Probe Report: Challenges and Opportunities*
- CBN (2023): CBN Publications: Annual Reports, Economic and Financial Review. News Archives 2023 Vanguard
- Elekwa, N. (2004). *Nigeria: The Political Economy of the Policy Process, Policy Choice and Implementation*. Retrieved.
- Eyiuche, A. C. (2012). *The Socio-Economic Implication of the Fuel Subsidy Removal*. Ibadan: Abok Publishers.
- Houeland, M. (2022). *The Politics of Free Markets: The Rise of Neoliberal Economic Policies in Britain, France, Germany and the United States*. Chicago: University of Chicago Press.
- Huag, N. (2016). *The Impact of Neo-liberalism, Political Institutions and Financial Autonomy on Economic Development*. New York: Princeton University Press.

- Hussaini, A., and Abdullahi, O. (2018). *The Domestic and International Implications of Fuel Subsidy Removal Crisis in Nigeria*. Kuwait Chapter of Arabian Journal of Business and Management Review, Vol. 1 (6), P. 57-83.
- Kingsley, F. (2023): The Economic Implication of fuel subsidy removal in Nigeria. International Journal of Business and Administrative Studies
- Nnadozie, T. (2023): The Politics of Fossil-Fuel Subsidies: Global Subsidies Initiative. Untold Billions: Fossil- Fuel Subsidies, Their Impacts and the Path to Reform Series Report
- Odehale, N. (2004). Nigeria: *The Political Economy of the Policy Process, Policy Choice and Implementation*.
- Ogundipe, O. (2013). *Modern Hyper and High Inflation*s. Journal of Economic Literature, vol. 7 (8), P. 837-880.
- Omotosho, B. S. (2020): The Removal of Oil Price Subsidy in Nigeria: Lessons in Leadership and Policymaking in a Trust-Deficit Environment
- Otaigbe, H. (2012, January 5). New Year, New Pains as Fuel Price Hike Bites. The Nation, P. 5.
- Ovaga, S. & Okechukwu, N (2022): The Political Economy of Energy Subsidy Reform
- Ozil, K. & Obiora P. (2023): Implication of Fuel Subsidy Removal on the Nigerian Economy: Public Policy's Role in Achieving Sustainable Development Goals,
- Peterson, M, & Kingsley, F. (2023). *Deregulation and Corruption in Nigeria: An Ethnical Response*. Kamal Raj Journal of Sciences, Vol. 14 (3), P. 229-234.
- Peterson, M. (2023): The Unequal Benefits of Fuel Subsidies: A Review of Evidence for Developing Countries.
- Prasad, M. (2006). The Politics of Free Markets: The Rise of Neoliberal Economic Policies in Britain, France, Germany and the United States. Chicago: University of Chicago Press.
- Raji, U. (2018): Rerforming Global Fossil Fuel Subsidies: How the United States Can Restart International Cooperation
- Ugo, E. (2011, December 18). Fuel Subsidy: Courting the Big Bang. Sunday Independent, P. 15-17.
- World Bank (2004): Local Environment Externalities due to Energy Price Subsidies: A Focus on Air Pollution and Health